

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FPC-01 EURE-00 SP-02 AID-05 EB-07

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USMISSION OECD PARIS PRIORITY

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PASS CEA, TREASURY, FRB

E.O. 11652: N/A

TAGS: ECON, OECD

SUBJECT: ECONOMIC AND DEVELOPMENT REVIEW COMMITTEE (EDRC)

REVIEW OF NETHERLANDS, JANUARY 13, 1976

REF: OECD PARIS 0381

1. SECRETARIAT ANALYSIS IS ON TARGET. KEY PROBLEM IS NOT RELATED TO BALANCE OF PAYMENTS (THANKS TO NATURAL GAS), BUT RATHER HOW TO STIMULATE ECONOMY TO PROVIDE MORE LONG-TERM JOBS WITHOUT INFLATING WAGES AND PRICES. GON IS INCREASINGLY BECOMING AWARE OF NEED TO RESTORE PROFITS OF ENTERPRISES WHICH HAVE BEEN STEADILY SQUEEZED TO FINANCE WELFARE TO POINT WHERE THERE IS LITTLE INCENTIVE FOR PRIVATE SECTOR TO INVEST. SITUATION HAS BEEN COMPLICATED BY WIDESPREAD TAXPAYER REVOLT AND INCREASING FLIGHT OF CAPITAL AT TIME WHEN GON IS ALSO BENEFITING FROM INCREASING INDIRECT TAXES TO COVER GROWING BUDGET DEFICITS. IN

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ADDITION, IT IS POLITICALLY QUESTIONABLE AS TO HOW FAR

SOCIALIST-LABOR COALITION GOVERNMENT CAN GO IN ABANDONING INCOME-LEVELING AND WELFARE GOALS. IN OTHER WORDS, GOVERNMENT COALITION IS WALKING A POLITICO-ECONOMIC TIGHROPE THAT REDUCES THE SCOPE FOR CLEARLY DECISIVE ACTIONS. SURVIVAL OF THIS GOVERNMENT MAY THUS HINGE ON ITS POSTPONING MAJOR DECISIONS WHILE TAKING HALF-MEASURES AND TRUSTING THAT AN UPSWING IN EXTERNAL TRADE WILL PROVIDE NEEDED DEMAND AND PRODUCE ECONOMIC RECOVERY BEFORE ELECTIONS IN APRIL 1977.

2. IN THESE CIRCUMSTANCES, WE BELIEVE IT WOULD BE BEST TO PHRASE QUESTIONS AS TO WHAT STEPS GON PLANS TO TAKE ALONG LINES SUPPORTING CONCLUSIONS SECRETARIAT HAS OUTLINED (PARA 9 OF REFTEL. WE ALSO BELIEVE THAT QUESTIONS SHOULD BE GEARED MAINLY TO THE SHORT-TERM SINCE SHORT-TERM IS OF MORE CONCERN AT THIS JUNCTURE THAN LONG-TERM, AND, EVEN IF PRESENT GOVERNMENT SURVIVES 1976, ELECTIONS WILL PROBABLY ALTER MANDATE OF SUCCESSOR GOVERNMENT AND THUS INEVITABLY AFFECT LONGER-TERM POLICY.

3. ECON COUNSELOR DUNN WILL CALL AT US MISSION MORNING JANUARY 12 TO TAKE PART IN ANY DESIRED BRIEFING DISCUSSIONS.  
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## Message Attributes

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